

NORTHWEST REGIONAL COUNCIL/NORTHWEST WASHINGTON
AREA AGENCY ON AGING
Whatcom County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The Annual Report Should Be Prepared And Submitted Within The Prescribed Reporting Period

The 1995 financial statements of Northwest Regional Council/Northwest Washington Area Agency on Aging were not completed until November 27, 1996.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class. Such reports shall be prepared, certified, and filed with the division within one hundred fifty days after the close of each fiscal year.

Apparently other duties of the staff involved in preparation of the financial statements took priority over the completion of the annual report.

When financial reports are not prepared and filed as required, the users of these reports are denied access to the agency's financial information. In addition, the delay in the reconciliation and preparation of the financial statements hinders the timely discovery and correction of errors. Furthermore, the late preparation of the annual report could prevent completion of the audit process within timeframes mandated by federal requirements, which could jeopardize federal funding.

We recommend accurate annual reports be prepared and submitted within the prescribed reporting period.

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Schedule Of Federal Findings

1. The Agency's Fixed Asset Recording System Should Contain Information Required By Federal And State Grant Requirements And The Fixed Asset Control System Should Be Strengthened

As documented in prior audit findings, title to nearly all of the fixed assets of the Northwest Regional Council vests with the Washington State Department of Social and Health Services (DSHS) as further described in Note 5 to the financial statements; therefore, the agency does not record these assets on their balance sheet. However, our audit revealed the following weaknesses in internal controls over the fixed asset system are still occurring:

- a. The agency's fixed asset records do not identify the source of funds used to acquire assets, who holds title to the property, cost of the property, use and condition of the property, and final disposition of the property.
- b. The agency does not adequately reconcile physical inventories to fixed asset records.
- c. The agency does not have an adequate system in place to ensure all assets are included in the fixed asset records nor does it ensure all dispositions are properly recorded.
- d. The agency does not have an adequate system in place to ensure all fixed assets are tagged to identify them as agency property.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C, Sec. 32, Equipment [4][d] states in part:

- (1) Property records must be maintained that include . . . a serial number or other identification number, the source of the property, who holds title, the acquisition date, and the cost of the property, percentage of Federal participation . . . and any ultimate disposition data . . .
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property . . .

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states in Volume 1, Part 3, Chapter 7:

Accountability for fixed assets is required for all local governments, regardless of size.

The BARS manual further states:

An adequate fixed asset accounting system will enable your government to meet statutory requirements, to produce adequate records and reports and to safeguard assets properly.

The Department of Social and Health Services' *Aging and Adult Services - Policies and Procedures Manual* in Chapter 9, Sec. XIV.A, states in part:

POLICY: . . . Form UCC-1, must be completed . . . for property with a value of \$400 or more which is purchased by the AAA . . .

3. AAAs must maintain an inventory of all purchased and/or state-provided property. This inventory must include property at the AAA and subcontractor level. UCC forms will provide the basis for inventory control.

Although the agency appears to have made some effort to improve its fixed asset accounting system, the weaknesses documented in the prior audits were determined to still exist during the 1995 audit. The inadequate fixed asset accounting system still appears attributable to low priority being placed on fixed asset accountability.

Adequate safeguarding or reporting of agency fixed assets cannot be assured when sufficient accounting procedures and controls are not established.

We recommend the agency:

- a. Adopt fixed asset policies and procedures to ensure compliance with requirements of federal and state regulations.
- b. Perform periodic inventories and reconcile those inventories to their accounting records.
- c. Perform occasional spot checks to determine the accuracy of the agency's inventory.
- d. Provide an adequate system to ensure all fixed asset acquisitions and dispositions are properly entered in equipment records.
- e. Provide a consistent system of identifying assets by tag or serial number.